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with Shopping Center Age

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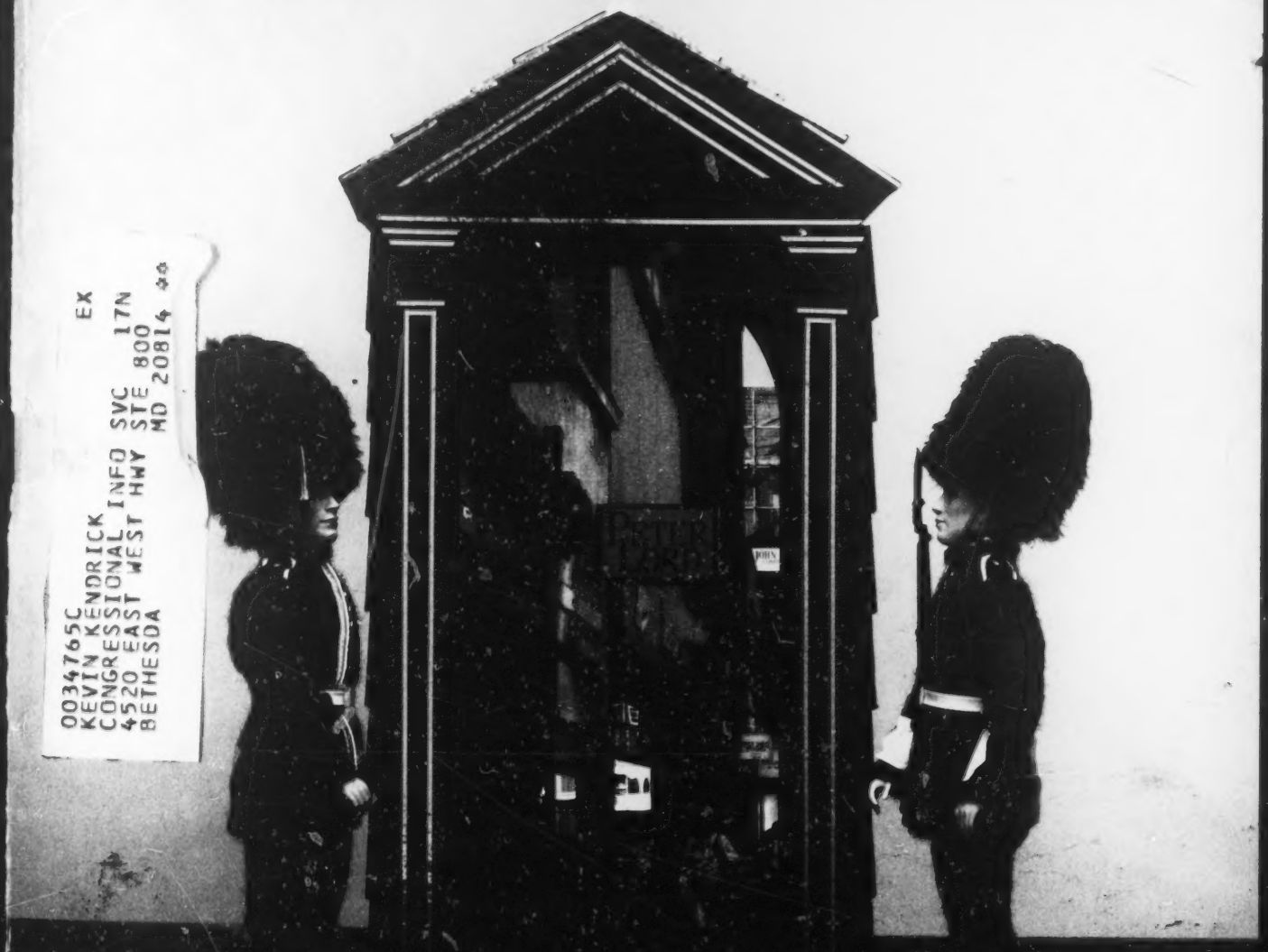

BRITISH RETAILING: CHANGING OF THE GUARD

TWENTY FIVE DOLLARS A YEAR (USA)

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BRITISH RETAIL: CHANGING OF THE GUARD

Led by entrepreneurs such as George Davies, founder and president of Next PLC, the British retailing industry is in the midst of a revolution. New players, growing rapidly through acquisitions as well as expansion, are threatening to take market share away from more established retailers. *25*

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SHOPPING CENTER AGE

DEVELOPERS TUNE IN TO TENANTS' NEEDS WITH SEMINARS

Role playing is one of the methods developers are using to help their retail tenants become better, more productive merchants. The question, though, is whether or not retailers are receptive to the programs being offered and what mall managers can do to increase their participation. . *53*

1986 BIG BUILDERS DIVERSIFY, EXPAND

WAL-MART HEADS THIS YEAR'S LIST IN ADDED SPACE, SAFEWAY IS TOP SPENDER

Adhering to a philosophy of building its market presence through diversification, as well as through expansion of its core business, Wal-Mart is the No. 1 Big Builder of 1986 in terms of square footage added.

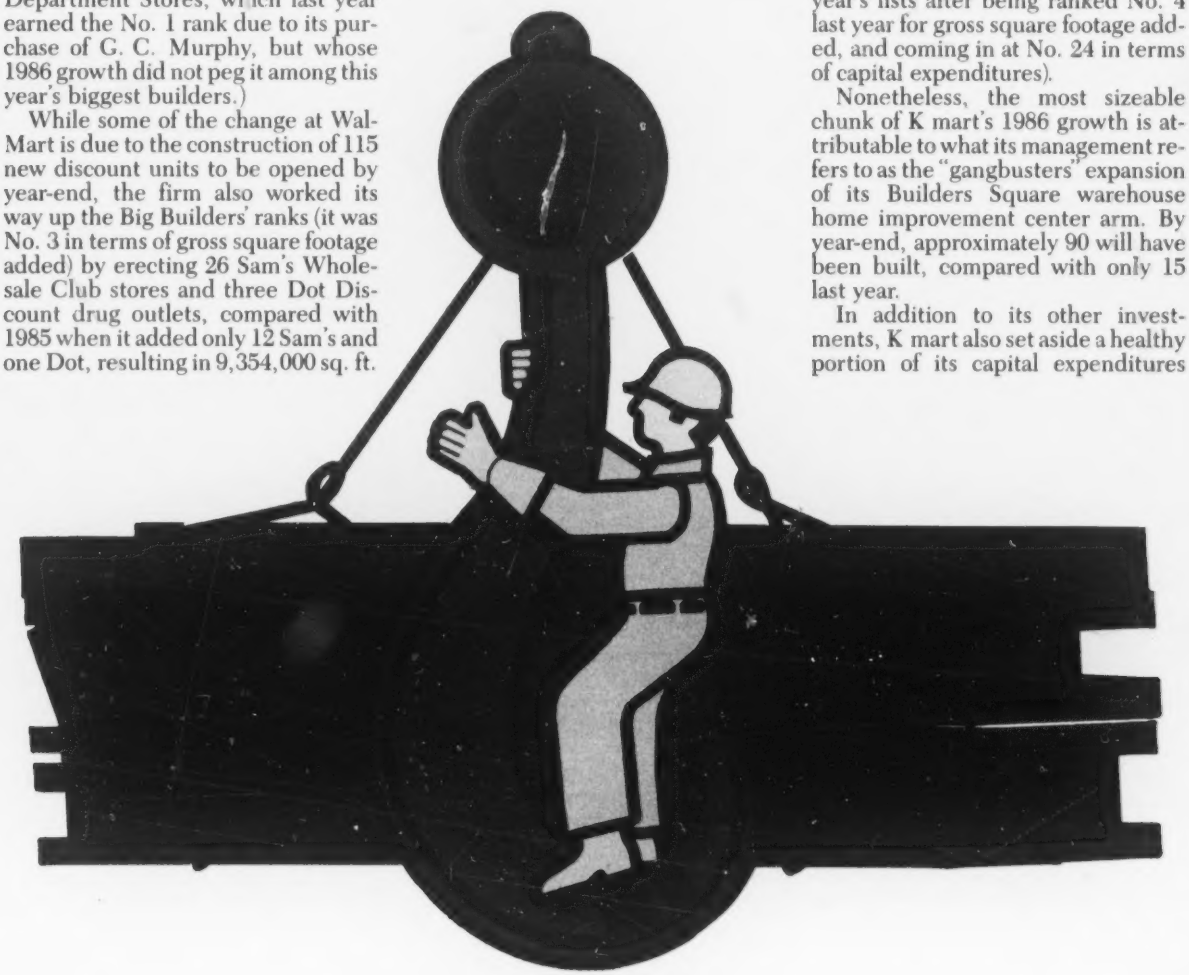
The Big Builders Survey, conducted annually by *Chain Store Age Executive*, ranks the nation's top retailers by the amount of gross square footage to be added in the current year, as well as by the amount of capital expenditures being invested.

Wal-Mart, by continuing to beef up its presence in the wholesale club and discount drug areas, will boost its gross square footage more than any other U.S. chain, increasing its retail space by 11,900,000 sq. ft. (The chain takes over the top spot from Ames Department Stores, which last year earned the No. 1 rank due to its purchase of G. C. Murphy, but whose 1986 growth did not peg it among this year's biggest builders.)

While some of the change at Wal-Mart is due to the construction of 115 new discount units to be opened by year-end, the firm also worked its way up the Big Builders' ranks (it was No. 3 in terms of gross square footage added) by erecting 26 Sam's Wholesale Club stores and three Dot Discount drug outlets, compared with 1985 when it added only 12 Sam's and one Dot, resulting in 9,354,000 sq. ft. of new space.

To finance this growth, Wal-Mart's 1986 capital expenditures total $380 million, up only slightly from $350 million spent last year. This makes Wal-Mart the fifth largest Big Builder in terms of capital expenditures, up from last year's No. 10 spot.

The retailer planning to invest most in capital expenditures this year is Safeway, up from the No. 2 spot last year. Current plans call for the company to spend a total of $660 million, up from $621.8 million spent in 1985. This will go toward adding a total of 2,320,000 gross sq. ft., down considerably from the approximately 3,700,000 sq. ft. added last year. (All plans, however, are tentative because Safeway is now going through a leveraged buy-out).



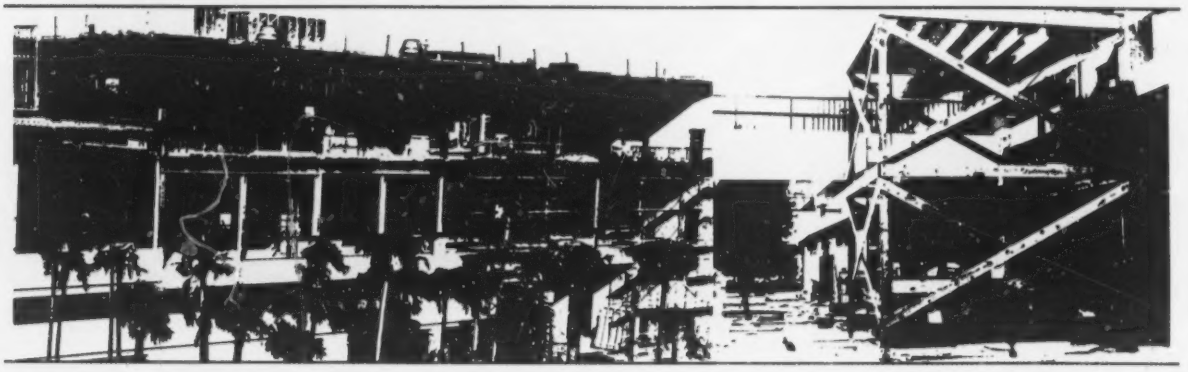
K mart, last year the industry's largest capital expenditures spender, is now No. 2, planning to spend $575 million this year, down from the $717 million invested last year.

As in the case of Wal-Mart, diversification is also accounting for a whopping share of K mart's square-footage growth—again holding onto the No. 2 spot in the ranking of the industry's biggest builders. This year, it is expanding by a total of 9,397,000 sq. ft., a substantial increase over last year's 3,142,000-sq.-ft. addition.

Included in the added square footage are the construction of 32 K mart discount stores and the acquisition of 16 Mr. HOW warehouses (12 existing units and four under construction) purchased from Service Merchandise. (Service, in turn, fell off of this year's lists after being ranked No. 4 last year for gross square footage added, and coming in at No. 24 in terms of capital expenditures).

Nonetheless, the most sizeable chunk of K mart's 1986 growth is attributable to what its management refers to as the "gangbusters" expansion of its Builders Square warehouse home improvement center arm. By year-end, approximately 90 will have been built, compared with only 15 last year.

In addition to its other investments, K mart also set aside a healthy portion of its capital expenditures



budget for a 1,025,000-sq.-ft. expansion of PayLess Drug Stores Northwest, the drug store operation it purchased in mid-1985. Forty-one PayLess outlets are being erected in 1986, up from 30 units in 1985.

Diversification is likewise playing a significant role in driving the construction activity of several other Big Builders.

While 1,800,000 sq. ft. of the 4,969,000 sq. ft. of space to be added by No. 4 player Zayre Corp. will be occupied by 25 new Zayre discount stores, 1,500,000 gross sq. ft. have been allocated for the construction of 15 Home Club home center warehouses. This year Zayre also intends to open a total of 25 T. J. Maxx stores, between 35 and 40 Hit or Miss stores, and seven BJ's Wholesale Clubs. To conduct this aggressive construction program, Zayre has upped its capital expenditures to $200 million, from 1985's $68 million.

Even such companies as J. C. Penney, considered primarily a department store retailer, (ranked No. 6 by gross square footage to be added this year), is spending a large part of its capital expenditures budget to expand other areas. Specifically, while in 1985 Penney erected seven drug stores, this year it plans 25.

By year-end the company also expects to have constructed 20 full-line department stores as well as 27 more limited-range stores in smaller market areas.

This year, Penney's level of capital expenditures remains the same as in 1985 at $426 million.

Another prime example of the emphasis on diversification is found at May Department Stores. In this case, the company's move from the No. 16 position on last year's gross square footage chart to No. 9 this year stems largely from its investment in growing its shoe retailing business. (Changes in space operated by May as a result of its acquisition of Associated Dry Goods are not reflected in the figures appearing in either of the Big Builders rankings.) The company reports that this year it is opening 150 new Volume Shoe units, most operating under the name Payless ShoeSource, accounting for 1,230,000 gross sq. ft. of added space.

The remainder of the new space has been apportioned for seven May department stores and four Venture discount outlets.

May has earmarked $375 million for this year's capital expenditures, up from $293 million last year.

Other examples of investment being made in "new" retail formats, are found among the specialty store conglomerates.

Perhaps the most notable is F. W. Woolworth. Working to expand the 15 specialty retailing concepts it now has established, the company will be adding approximately 1,350,000 gross sq. ft. of space by year-end, a move that places it at No. 19 on the 1986 gross square footage rankings.

In order to execute this construction program, the chain has allocated $225 million for capital expenditures for 1986, a significant jump over the $152 million of last year.

At the same time, Melville Corp., which again occupies the No. 12 spot ranked by gross square footage additions, reports that it is presently "evaluating new areas of opportunity to serve large segments of customers" in "categories of merchandise specialization" it has not previously explored.

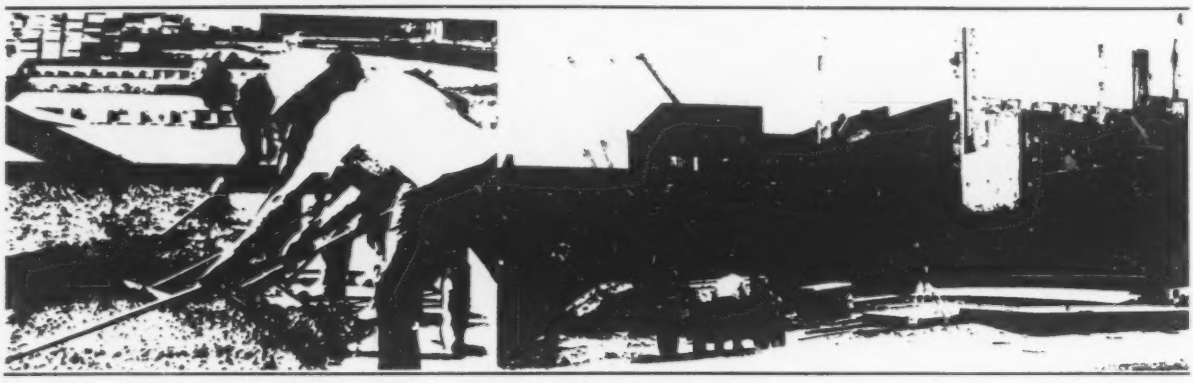
By year-end, the chain intends to have opened an additional 1,987,000 sq. ft. of selling area. Capital expenditures are planned to reach approximately $115 million, a slight increase over last year's $101.5 million figure.

Yet another specialty store Big Builder, U.S. Shoe Corp. (which has increased its base of operations from nine retail divisions six years ago to a current total of 16) has earmarked $123.6 million toward rapid growth of all its formats. (In 1985, the chain allo-

Capital Expenditures

	1986 (000)	1985 (000)
1. Safeway	$660,000	$621,800
2. K mart	575,000	717,000
3. Dayton Hudson	525,000	422,000
4. J. C. Penney	426,000	426,000
5. Wal-Mart	380,000	350,000
6. May Department Stores	375,000[1]	293,000
7. Federated Department Stores	364,000	380,000
8. Kroger	300,000	362,400
8. Lucky Stores	300,000	270,000
10. American Stores	280,000	203,000
11. F. W. Woolworth	225,000	152,000
12. Associated Dry Goods	200,000[2]	166,700
12. Supermarkets General	200,000	121,000
12. Toys "R" Us	200,000	200,000
12. Zayre	200,000	168,200
16. The Limited	175,000	195,000
16. Winn Dixie	175,000	179,446
18. Albertsons	160,000	120,000
19. Stop & Shop	150,000	149,000
20. U.S. Shoe	123,600	78,700
21. Walgreens	100,000	120,000
21. Carter Hawley Hale	100,000	127,400
23. Melville Corp.	115,000	101,500
24. Pace Membership Warehouse Clubs	112,000	100,000
25. A&P	110,000	115,000

[1]Does not reflect Associated Dry Goods acquisition; includes 150-200 unit acquisition from SCOA Industries to open as Payless ShoeSource units
[2]Does not reflect Associated Dry Goods/May Department Stores merger
Source: Chain data and *Chain Store Age Executive* estimates



cated only $78.7 million for construction and, as a result, did not appear on last year's capital expenditures chart.)

This year, U.S. Shoe is in the midst of establishing Sophisticated Woman, a three-unit ladies' apparel chain. At the same time, it is enlarging its Casual Corner subsidiary by 54 units; Applause by five units; Career Image by 37 units; Ups 'N Downs by 84 units; August Max, by 22 units; Caren Charles, by 41 units, Petite Sophisticate by 43 units; J. Riggings by four units and LensCrafters by 90.

While specialty store growth is obvious among the majority of the Big Builders, companies specializing in the supermarket and/or drug store retail classifications are also well represented. The chief impetus for most of their construction is a desire to build larger-sized outlets than ever before.

One example of this trend is Winn-Dixie, which ranks No. 15 on the gross square footage chart (1.7 million sq. ft.) and No. 16 in terms of capital expenditures (approximately $175 billion). Of the 100 new units recently completed by the chain, almost all are either "conventional" supermarkets averaging 30,000 sq. ft. in size or combination food/drug stores, averaging 45,000 sq. ft.

Also among the stores to be opened by Winn-Dixie before year-end are four superwarehouse stores which will range in size from 45,000 sq. ft. to 73,000 sq. ft.

Similarly, Supermarkets General, No. 12 on the capital expenditures chart with a $200 million budget, opened its first 58,000-sq.-ft. Pathmark Super Center late last year. At year-end, it will have added two to three similarly-sized Super Centers and converted at least one of its conventional units to the larger format.

In the chain's Purity Supreme division, six new 50,000-sq.-ft. superstores will be on-line by the end of December, up from one such unit constructed in 1985. Two existing Purity Supreme branches will also become superstores this year.

Further contributing to Purity Supreme's growth is the company's acquisition of 18 Angelo's supermarkets in the South Shore and Cape Cod areas of Massachusetts; these stores are now being operated as Purity Supreme units.

Supermarkets General itself plans to have six new deep discount drug units, three to five of which are expected to be Pathmark Super Drug stores, plus six new Rickel home centers in operation by the end of this year. (The Rickel "super" prototype, unveiled in 1984, is a 50,000-sq.-ft. unit.)

Meanwhile, Albertsons, which for the most part is building only super stores (44,000 sq. ft.) and combination food/drug outlets (60,000 sq. ft.) anticipates opening 23 to 25 new units in 1986. Of this number, 67% will measure over 35,000 sq. ft.

Aside from a 1,100,000-sq.-ft. expansion, Albertsons' $160 million capital expenditures plan calls for the continuation of its remodeling program. Ninety percent of all units the company has built within the past 12 years are either new outlets or have been completely renovated.

The Big Builders are clearly growing bigger than ever before. ■

Gross square footage added

	1986	1985
1. Wal-Mart	11,900,000	9,354,000
2. K mart	9,379,000[1]	3,142,000
3. Dayton Hudson	4,983,479	3,466,530
4. Zayre	4,969,000	6,704,500[2]
5. Kroger	4,514,000[3]	3,046,000
6. J. C. Penney	4,107,500	2,950,000
7. Dillards	2,951,000[4]	1,108,000
8. A&P	2,588,000	2,335,000
9. May Department Stores	2,500,000	1,733,000[5]
10. Safeway	2,320,000	3,700,000
11. Toys "R" Us	2,130,000	2,300,000
12. Melville	1,979,000	2,030,000
13. Associated Dry Goods	1,790,000[6]	1,219,000
14. Walgreens	1,740,000[7]	900,000
15. Winn Dixie	1,700,000	1,700,000
16. American Stores	1,600,000	N/A
17. Lucky Stores	1,517,000	988,000
18. Home Depot	1,400,000	1,840,000
19. F. W. Woolworth	1,350,000	896,500
20. Albertsons	1,100,000	1,100,000
20. Stop & Shop	1,100,000	1,100,000
22. Federated Department Stores	1,092,000	2,909,000
23. Revco	929,500	1,546,000
24. U.S. Shoe Corp.	914,700	N/A
25. Pace Membership Warehouse Clubs	900,000	1,000,000

[1]Includes acquisition of 12 Mr. HOW warehouses and four unopened units
[2]Includes acquisition of Gaylord's and Home Club
[3]As of presstime, Kroger had announced it would be selling its Hook Drug division. However, it was unclear whether this would be accomplished by year-end. Therefore, expenditures for Hook are included here
[4]Includes acquisition of 11 Macy's Midwest units
[5]Does not reflect Associated Dry Goods acquisition; includes acquisition of 150 units from SCOA Industries to be opened as Payless ShoeSource outlets
[6]Does not reflect Associated Dry Goods/May merger
[7]Includes acquisition of 66 Medi-Mart drug stores

Source: Chain data and *Chain Store Age Executive* estimates